

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-02

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FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 3338L

INFO AMEMBASSY PORT AU PRINCE

C O N F I D E N T I A L SANTO DOMINGO 1543

E.O. 11652: GDS

TAGS: EFIN, DR

SUBJ: GODR EFFORTS TO LIMIT USE OF FOREIGN EXCHANGE IN 1975

REF: A) SD 948; B) SD 1105

1. FROM CONFIDENTIAL SOURCES THE EMBASSY HAS LEARNED THAT AFTER SOME EXHAUSTIVE SESSIONS THE MONETARY BOARD HAS SENT A LETTER TO PRESIDENT BALAGUER WHICH PROPOSES A MECHANISM FOR COMPLYING WITH HIS DECREE OF FEB 27, 1975 ON MANAGING WINDFALL SURAR EARNINGS. REFTEL (B) REPORTED THE PROBLEM OF STAYING WITHIN THIS CEILING IN 1975.

2. AS WRITTEN THE DECREE WOULD APPEAR TO SET AN DOLS 800 MILLION CEILING ON FOREIGN EXCHANGE PAYMENTS WHICH COULD BE AUTHORIZED FOR CY 1975. THE MONETARY BOARD, HOWEVER, FACED A DILEMMA IF THE CEILING APPLIED BOTH TO OBLIGATIONS INCURRED IN 1974 WITH PAYMENT DUE IN 1975 AND NEW OBLIGATIONS TO BE AUTHORIZED IN 1975. IN 1974, FOR EXAMPLE, SOME DOLS 1050 MILLION WAS UTILIZED (1973 ROLL-OVER PLUS 1974 AUTHORIZATIONS).

3. THE BOARD'S SOLUTION AS SUGGESTED TO THE PRESIDENT WAS TO SEPARATE THE 1974 ROLL-OVER PORTION FROM THE DOLS 800 MILLION
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CEILING. THE ROLL-OVER AMOUNTS TO ABOUT DOLS 218 MILLION.

SINCE THE DECREE ALSO PLACES NEW IMPORT RESTRICTIONS ON CERTAIN ITEMS, THE BOARD HAS DEDUCTED FROM 1975 USE DOLS 9.4 MILLION USED FOR THESE ITEMS IN 1974. THROUGH THIS JUGGLING THE BOARD ESTIMATES THAT OBLIGATIONS FOR 1975 WILL NOT EXCEED DOLS 790.6 MILLION, WHICH IS WITHIN THE DECREE CEILING IF THE PRESIDENT AGREES TO THE SEPARATION.

4. THE BOARD IS ESTIMATING 1975 FOREIGN EXCHANGE RECEIPTS AT ABOUT DOLS 1,121 MILLION. WITH A LEVEL OF USE AT DOLS 1008.8 MILLION (DOLS 790.6 PLUS DOLS 218.2), THERE WOULD BE A SURPLUS OF DOLS 119.2 MILLION AT YEAR'S END.

5. THE BOARD'S LETTER ALSO DRAWS TO THE PRESIDENT'S ATTENTION THE FACT THAT HIS SECOND DECREE OF FEBRUARY 27 REQUIRING SUGAR PRODUCERS TO PLACE IN SPECIAL BANK ACCOUNTS THE PROCEEDS FROM 50 PERCENT OF THE SUGAR EXPORT TAX WHEN SUGAR IS ABOVE 20 CENTS PER LB. NEGLECTED TO FREEZE SUCH ACCOUNTS. THE BOARD PROPOSES IMPOSING A 100 PERCENT RESERVE REQUIREMENT AGAINST THESE ACCOUNTS; OTHERWISE SOME DOLS 62 MILLION IN DEPOSITS COULD BE PUMPED INTO THE BANKING SYSTEM.
HURWITCH

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